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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 000664

SIPDIS

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SUBJECT: PA OFFICIALS MAINTAIN CONTROL OF COMMERCIAL
IMPORTS IN GAZA

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d)

¶1. (C) Summary: The majority of the 100-115 truckloads/day that enter Gaza are not donations or humanitarian relief supplies, but are private sector shipments imported on a commercial basis. ConGen contacts estimate the value of commercial goods that enter Gaza daily at approximately USD two million. The GOI limits the number of trucks and the types of goods that can be shipped. The distribution among Gaza traders of the Israeli-approved daily quota, however, is determined by the Palestinian Authority (PA). Private sector contacts report that Gaza traders pay Israeli vendors for the majority of these goods through electronic transfer via West Bank bank branches. End summary.

Commercial goods comprise the
majority of shipments to Gaza

¶2. (SBU) Since the end of IDF military operations in Gaza, approximately 100-115 truckloads/day of basic commodities have been allowed into Gaza. More than sixty percent of those trucks have carried commercial shipments, according to Gaza-based USG contractors, with the rest made up of humanitarian donations via international organizations and NGOs. The average market value of the commercial shipments entering Gaza via the crossings from Israel is approximately USD two million/day. Most commercial shipments are comprised of food, diapers, and detergents.

Gaza traders depend on PA coordination

¶3. (SBU) Commercial coordination in Gaza remains under PA control, according to PA and private sector contacts. The GOI determines the quantity and types of goods to enter at the crossings, while the PA Ministry of National Economy (MoNE) in Ramallah determines how to allocate the allotted shipments among Gaza traders.

¶4. (SBU) Gaza private sector contacts report that the PA maintains an office in Gaza consisting of one MoNE official who reports to the PA in Ramallah. This MoNE official receives requests from Gaza merchants to import certain goods from Israeli vendors, and coordinates a consolidated daily import request to the GOI with the MoNE in Ramallah. The GOI reviews the request and, based on the number of truckloads available on a certain day, and a review of the types of goods for import, informs the MoNE official in Gaza of the approved shipments.

¶5. (SBU) The cargo entering Gaza is almost entirely supplied

and shipped by Israeli traders, according to USG contractors in Gaza. Most products imported are Israeli, Brazilian, and Egyptian. The only commercial shipments coming from the West Bank are dairy products from Hebron.

¶16. (C) Private sector contacts in Gaza claim that Hamas allows the PA MoNE office to remain in Gaza because coordination of shipments for the private sector requires contact with the GOI at the crossings.

PA officials tout fair distribution of goods

¶17. (C) MoNE official Jamal Judeh told Econoff on April 7 that the ministry works to provide fair treatment to all Gaza businesses and traders. Judeh said that traders in Gaza closely monitor each others, shipment quotas and file protests to the MoNE when they perceive their competitors to be getting more slots at the crossings. The MoNE in Gaza reports that some 800 traders are registered to import from Israel. Roughly 80-85 percent of those traders have received shipments via the crossings with Israel in the last few months, according to MoNE contacts on April 7.

MoNE's role more relevant since Hamas coup

¶18. (C) Prior to the Hamas coup in June 2007, MoNE's role in private sector imports was not nearly so significant, as businesses received most, if not all, their requested shipments via the Karni/al-Mintar commercial crossing. Traders and PA officials agree that the limits on daily

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shipments has increased the importance of MoNE's allocation system.

Gaza traders claim to pay
via West Bank bank transfers

¶19. (C) According to USG contractors and private sector representatives, Gaza traders pay for incoming shipments by electronic funds transfer from West Bank bank accounts to their Israeli vendors, given that Israeli banks no longer handle Gaza-originated bank transfers. These contacts report that Gaza traders manage such transfers from Gaza via internet and telephone, and that each case is unique, depending on the level of trust with Israeli vendors. Palestine Monetary Authority (PMA) Governor Jihad al-Wazir said that there is also a problem of trade-based money laundering, where goods are shipped to Gaza but paid for by a party outside of the territory. The goods are sold by a merchant in Gaza who pockets the full value as profit and passes a percentage to Hamas. The fact that payments are made via banks outside of Gaza, as described above, may camouflage such trade-based money laundering as a means of funneling funds to Hamas and others.

¶10. (C) Banking sector and PA Ministry of Finance officials claim that Gaza merchants pay Israeli suppliers mostly in cash, although Econoffs have been unable to verify how the cash is physically transported via the crossings with Israel. (Note: There are rumors of "holes in the wall" and individuals carrying large amounts on foot out of Erez, but none of the explanations withstands scrutiny. End Note.)

¶11. (C) Comment: Restrictions on trade and the resulting requirement to distribute limited "slots" at the crossings among competing interests creates an incentive for smuggling and an environment ripe for corruption on all sides and among all players. End Comment.

WALLES